

Additional Information for the Presentation on

“BOND MATH”

by

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GLOSSARY OF TERMS

USED IN PRESENTATION

<i>Principal</i>	the amount borrowed; the face amount of the bond
<i>Interest</i>	the amount paid to the lender or investor for the use of its money over time
<i>Maturity</i>	date on which the principal amount of the bond must be repaid
<i>Debt Service</i>	the total amount of principal and interest paid on the bond in a year
<i>Coupon</i>	the stated rate of interest on the bond
<i>Price</i>	the amount which is paid by the investor for the bond
<i>Yield</i>	the actual rate of return to the investor, which takes into account the coupon on the bond and the price paid by the investor
<i>Original Issue Discount</i>	if a bond is initially sold at a price less than its face amount, the amount by which the purchase price is less than the face amount of the bond
<i>Original Issue Premium</i>	if a bond is initially sold at a price greater than its face amount, the amount by which the purchase price is greater than the face amount of the bond

<i>Bond Proceeds</i>	the funds received by an issuer from a bond sale
<i>Interest Only Period</i>	a period of time during which the issuer is only obligated to pay interest on a bond issue
<i>Principal Amortization</i>	the period of time during which the principal amount of the bond issue is repaid
<i>Serial Bonds</i>	bonds on which the entire principal amount is repaid in a single year; serial bonds generally mature consecutively
<i>Term Bonds</i>	bonds on which a portion of the principal amount must be repaid in scheduled installments in each of the several years prior to the bond's maturity date (see definition of "Sinking Fund Payments" below)
<i>Sinking Fund Payments</i>	payments applied toward the scheduled mandatory redemption of a portion of the principal amount of a term bond in the several years prior to the bond's maturity
<i>Yield Curve</i>	the curve resulting from plotting a graph with the yield on a particular type of bond being the vertical axis and the years to maturity being the horizontal axis
<i>Refunding Bonds</i>	a bond issue in which the proceeds of the issue are used to repay, or refund, previously outstanding bonds
<i>New Money Bonds</i>	a bond issue in which the proceeds of the issue are used to fund the construction of a project or the acquisition cost of some type of asset
<i>Level Principal</i>	a debt service structure in which the amount of principal repaid in each year is the same (this will result in a total debt service amount which declines each year)

Level Debt Service

a debt service structure in which the total amount of the principal and interest paid in each year is essentially the same (similar to the way the payments on a fixed rate mortgage are usually structured)

Wrap-Around Debt Service

a debt service structure in which the debt service on a new issue of bonds is structured to combine with, or “wrap around” the debt service on one or more existing issues, so as to produce a desired overall debt service structure